

## How to Shack Up Successfully in Your Senior Years

By Sheryl Nance-Nash

Shacking up isn't just for young folks anymore. Plenty of unmarried retirees are spending their golden years together. And while skipping the "I dos" can seem like the easier course, just living together can be complicated, especially at this time of life.

"It's understandable, given our divorce rates, why people may want to retire together without having to be married to do it," notes Betty Liu, co-author of *Age Smart*.

"More women in this generation have worked and lived independently, so they're able to say to their partners, 'let's just live together and be financially separate,'" she says. "And, as you get older, the focus may not be so much on marriage, as it's about companionship and having the right partner with you."

But even though millions of couples are now doing this, she says, it's still a relatively new concept. Translation: Love is grand, but you'd better think about the details.

With separate goals and incomes, there are multiple potential sources of money conflict, from legacies to children to who pays for what. You are also without the legal protections of marriage and survivor benefits, and that's just the beginning, warns Ben Gurwitz, a certified financial planner with Financial Life Advisors.

### Consider a "Living Together" Agreement

Retirees living together often are even in a relatively tenuous financial situation. They may have limited monthly incomes and be relying on having both parties' financial contributions to pay the rent or cover the monthly bills, says Lois Liberman, a matrimonial attorney at Blank Rome.

If they break up, if one partner gives his children power of attorney over his finances, or if one of them dies, and that

person's monthly contribution is no longer coming in, the other retiree may no longer be able to afford their apartment or home, she says.

Avoid this nightmare. Liberman recommends putting in place a "living together agreement" outlining what would happen financially should you two separate.

### Don't Leave the House Up for Grabs

You want to know too, what the deal will be if one of you owns the home you're both living in, and that partner passes. "You don't want to be thrown out by the deceased's children," says Liberman.

In 10 states, you may give a beneficiary the right to live in your home when you die. It is called an Enhanced Death Deed. So if you are with a partner to whom you are not married, and you don't want them to get kicked out of your home by your heirs when you die, you can provide the security of a life estate to your partner, says Jean Dorrell, founder of Senior Financial Security.

"I have heard all too many horror stories of the non-spouse partner being removed from the home immediately after mom or dad's dying. The kids come along, they want their inheritance, they want the partner out and they get their way, legally," she warns.

A Life Estate allows whomever you name to continue living in your home as long as they are alive or as long as they wish. No one can kick them out, she says.



### Get Your Estate Documents in Order

Partners in an elderly cohabiting couple absolutely need to have wills to take the guesswork out of dealing with what will happen after they're gone.

However, the things unmarried partners leave to each other will be subject to estate taxes, which wouldn't be the case if they were married, adds Richard Barrington, a personal finance expert with MoneyRates.com. "You may want to look at methods of property transfers prior to death to reduce the exposure to estate taxes," he says.

And when it comes to estate planning, you need more than just a will. Much as you might not want to think about being sick when you're supposed to finally be having fun, illness happens. "Whom do you trust to make decisions for you when you are unable to do so, and do you have the required documents in place to allow that person or persons to make those decisions on your behalf?" asks certified financial planner Jim Oliver of Jim Oliver & Associates.





You'll need a litany of documents: a durable power of attorney for managing financial affairs; medical power of attorney for managing health issues; (without proper documentation, you have no legal right to make health care decisions for your partner), a HIPAA release for accessing health information; a directive to physicians regarding end-of-life decisions; and possibly a revocable living trust for management of assets while alive and avoiding probate for disposition of assets after death, says Oliver. You can also hold assets jointly with your partner in order to have them transfer automatically to them when you die.

Make sure all those documents are up to date. Are the right people listed as beneficiaries on your life insurance policy, retirement accounts and other assets?

### Don't Share Everything

How to co-mingle assets is a biggie. It's important for non-married couples to keep certain assets separate to avoid property disputes later. Some advisers recommend keeping separate checking accounts.

"Never contribute money to the purchase of a major asset such as a car or house that is held solely in the name of your partner," says Anthony Sandonato, a certified public accountant and attorney with Mengel Metzger Barr & Co. "If both partners contribute to a major asset purchase, it should be in both of their names."

### Figure Out the Tax Implications

Single people often make out better from an income tax perspective because of the so-called marriage penalty, which can result in married couples owing more tax overall than two single people.

A person living with an unmarried partner may be able to claim head-of-household status if he or she supports a

dependent. The head-of-household tax rates are more favorable than the single rates, says Sandonato.

### Don't Forget the Children

Then there's the matter of the children. "One of the biggest issues I see is within the family dynamic," says Debra Neiman, a certified financial planner and co-author of *Money Without Matrimony: The Unmarried Couple's Guide to Financial Security*.

"Children don't want to feel cut out of the picture, regardless if mom or dad remarries or shacks up."

Have a family sit-down with your children. "Explain the situation and reassure the kids that assets, beneficiary designations and other legal documentation is in place to take care of them," she says.

Communicate to your close family members what you have agreed upon. If you aren't comfortable discussing post-death financial matters, consider making a video expressing your wishes, recommends Scott Halliwell, a certified financial planner with USAA.

### Coordinate Investments

Be sure your right hand knows what your left is doing: If partners don't coordinate their investments, it's possible that a couple may be over-allocated in one company, industry or other type of investment. "Make sure that your investments are not only diversified when looked at separately, but also when looked at in the aggregate," says Paul Jacobs, a certified financial planner at Palisades Hudson Financial Group.

### Get the Lowdown on Social Security

Unmarried couples who are receiving Social Security retirement benefits based on their own earnings records can continue to collect their full retirement benefits, even after the other dies.

However, if one partner dies, the other is left with only their own benefit, which can create severe cash flow problems if it's not planned for, warns Gary Sancilio a financial adviser with MassMutual. Other Social Security rules can come into play if one partner is receiving a spousal benefit based on the earnings of a former spouse. "We recommend a thorough review of Social Security benefits for cash flow purposes," he says.

Unmarried partners will likely need to provide for their own medical benefits. Most company plans don't consider cohabiting retirees as "dependents" of each other, meaning one would be unable to enroll their partner in a company plan. Similarly, each person would need to qualify for Medicare Part A coverage on their own earnings record, adds Sancilio.

### Avoid Inaction

Doing nothing is a huge mistake. "This happens a lot of time when you enter a new relationship. Possibly you were in a traditional marriage for many years, your spouse then died. You have met the new 'love of your life' and you are in the honeymoon stage. Who wants to be a Debbie Downer and bring up death and incapacitation?" asks Dorrell.

But in retirement years, you need to start planning for your mortality and consider how it will affect your estate, your partner and your family members, she adds.

### Talk and Plan Early

Talk over these issues with your partner sooner rather than later. Come up with a plan about what you want, and put everything in writing. Get a lawyer to help you draw up the documents.

"In a way, being unmarried gives you an excuse to talk directly about some not so pleasant financial situations because unmarried couples don't have the legal safety net of knowing that assets will be directly passed onto them or that they have rights to the other's assets," says Liu.



## Expect Some Resistance

It's not only your children who may be concerned about someone coming into your life late and making off with your hard-earned money, or possibly breaking your heart. There are other places your arrangement may not be welcome.

"You might join a club and find that only spouses are allowed to join with you, or you may find that you don't qualify for certain benefits because you're both unmarried," says Liu. "That's the reality. It almost always takes years for the institutional thinking to catch up with what's happening on the ground, but eventually, things catch up."

If you plan with your head instead of your heart, the hardest issues can be mitigated or completely avoided, and you two can just enjoy the good life in your golden years. "It's a great thing to have more options when you retire and not be boxed in to what traditionally is seen as retirement," says Liu.

